

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

Township of Irving
Barry County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended March 31, 2006

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Township of Irving, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Township of Irving, Michigan, as of March 31, 2006, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township of Irving, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Irving, Michigan, as of March 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information, on pages 13 through 14, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Township of Irving, Michigan, has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Siegfried Crandall P.C.

May 19, 2006

BASIC FINANCIAL STATEMENTS

Township of Irving
STATEMENT OF NET ASSETS
March 31, 2006

	<u>Governmental activities</u>
ASSETS	
Current assets:	
Cash	\$ 531,997
Receivables, net	43,430
Prepaid expenses	<u>13,392</u>
Total current assets	588,819
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>257,764</u>
Total assets	<u>846,583</u>
LIABILITIES	
Accounts payable	<u>73</u>
NET ASSETS	
Invested in capital assets	257,764
Restricted for public safety	44,880
Unrestricted	<u>543,866</u>
Total net assets	<u>\$ 846,510</u>

See notes to financial statements

Township of Irving
STATEMENT OF ACTIVITIES
Year ended March 31, 2006

		<u>Program revenues</u>			<u>Net (expenses) revenues and changes in net assets</u>
	<u>Expenses</u>	<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>	<u>Governmental activities</u>
Functions/Programs					
Governmental activities:					
Legislative	\$ 5,383	\$ -	\$ -	\$ -	\$ (5,383)
General government	134,884	30,986	-	9,510	(94,388)
Public safety	106,307	-	-	-	(106,307)
Public works	62,252	-	3,309	-	(58,943)
Total governmental activities	<u>\$ 308,826</u>	<u>\$ 30,986</u>	<u>\$ 3,309</u>	<u>\$ 9,510</u>	<u>(265,021)</u>
General revenues:					
Property taxes					164,389
State shared revenue					155,224
Interest income					10,308
Other					3,769
Total general revenues					<u>333,690</u>
Change in net assets					68,669
Net assets - beginning					<u>777,841</u>
Net assets - ending					<u>\$ 846,510</u>

See notes to financial statements

Township of Irving
BALANCE SHEET - governmental funds
 March 31, 2006

	<u>General</u>	<u>Fire</u>	<u>Totals</u>
ASSETS			
Cash	\$ 510,620	\$ 21,377	\$ 531,997
Receivables	33,782	9,648	43,430
Prepaid expenses	-	13,392	13,392
Total assets	<u>\$ 544,402</u>	<u>\$ 44,417</u>	<u>\$ 588,819</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 73	\$ -	\$ 73
Fund balances:			
Reserved for right-of-way expenditures	463	-	463
Unreserved:			
Designated for cemetery expenditures	20,350	-	20,350
Undesignated	<u>523,516</u>	<u>44,417</u>	<u>567,933</u>
Total fund balances	<u>544,329</u>	<u>44,417</u>	<u>588,746</u>
Total liabilities and fund balances	<u>\$ 544,402</u>	<u>\$ 44,417</u>	<u>\$ 588,819</u>
Total fund balances - total governmental funds			\$ 588,746
Amounts reported for <i>governmental activities</i> in the statement of net assets (page 5) are different because:			
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.			
			<u>257,764</u>
Net assets of <i>governmental activities</i>			<u>\$ 846,510</u>

See notes to financial statements

Township of Irving**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -****governmental funds**

Year ended March 31, 2006

	<u>General</u>	<u>Fire</u>	<u>Totals</u>
REVENUES			
Taxes	\$ 92,997	\$ 99,120	\$ 192,117
State grants	158,533	-	158,533
Charges for services	3,258	-	3,258
Interest	10,189	119	10,308
Other	3,769	-	3,769
	<u>268,746</u>	<u>99,239</u>	<u>367,985</u>
Total revenues			
	<u>268,746</u>	<u>99,239</u>	<u>367,985</u>
EXPENDITURES			
Legislative	5,383	-	5,383
General government	115,315	-	115,315
Public safety	-	106,307	106,307
Public works	61,037	-	61,037
Capital outlay	90,273	-	90,273
	<u>272,008</u>	<u>106,307</u>	<u>378,315</u>
Total expenditures			
	<u>272,008</u>	<u>106,307</u>	<u>378,315</u>
NET CHANGE IN FUND BALANCES	(3,262)	(7,068)	(10,330)
FUND BALANCES - BEGINNING	<u>547,591</u>	<u>51,485</u>	<u>599,076</u>
FUND BALANCES - ENDING	<u>\$ 544,329</u>	<u>\$ 44,417</u>	<u>\$ 588,746</u>

Net change in fund balances - total governmental funds \$ (10,330)

Amounts reported for *governmental activities* in the statement of activities (page 6) are different because:

Capital assets:

Assets acquired	87,967
Provision for depreciation	<u>(8,968)</u>

Change in net assets of *governmental activities* \$ 68,669

See notes to financial statements

Township of Irving
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Irving, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

Township of Irving
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) *Measurement focus, basis of accounting, and financial statement presentation* (continued):

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Fire Fund accounts for the financial resources used for the operational costs of the Township public safety function. Revenues are primarily derived from property taxes.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB).

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

d) *Assets, liabilities, and net assets or equity:*

i) *Bank deposits* - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

ii) *Receivables* - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) *Prepaid items* - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in the government-wide financial statements.

iv) *Capital assets* - Capital assets, which include property, equipment, and infrastructure assets (e.g., shared road costs and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$500 (\$10,000 for infrastructure assets) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 - 40 years
Equipment	3 - 5 years
Shared road costs	20 years

Township of Irving
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) *Assets, liabilities, and net assets or equity* (continued):

v) *Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vi) *Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

Excess of expenditures over appropriations - The following schedule sets forth the significant budget variance:

<u>Fund</u>	<u>Function</u>	<u>Activity</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	General government	Cemetery	\$ 9,675	\$ 10,974	\$ (1,299)
Fire	Public safety	Fire protection	92,905	106,307	(13,402)

NOTE 3 - CASH:

Deposits with financial institutions:

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Township's deposits are in accordance with statutory authority.

Custodial credit risk of deposits is the risk that, in the event of the failure of a depository financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized. As of March 31, 2006, \$349,041 of the Township's bank balances of \$569,854 was exposed to custodial credit risk because it was uninsured.

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

Township of Irving
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - RECEIVABLES:

Receivables as of year end for the Township's individual major funds are as follows:

<u>Fund</u>	<u>Property taxes</u>	<u>Inter- governmental</u>	<u>Total</u>
General	\$ 7,957	\$ 25,825	\$ 33,782
Fire	9,648	-	9,648
Totals	<u>\$ 17,605</u>	<u>\$ 25,825</u>	<u>\$ 43,430</u>

All receivables are current and are considered fully collectible.

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2006, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ -	\$ 75,191	\$ -	\$ 75,191
Capital assets being depreciated:				
Buildings and improvements	184,388	-	-	184,388
Equipment	18,237	12,776	-	31,013
Roads	24,300	-	-	24,300
Subtotal	<u>226,925</u>	<u>12,776</u>	<u>-</u>	<u>239,701</u>
Less accumulated depreciation for:				
Buildings and improvements	31,455	5,444	-	36,899
Equipment	15,490	2,309	-	17,799
Roads	1,215	1,215	-	2,430
Subtotal	<u>48,160</u>	<u>8,968</u>	<u>-</u>	<u>57,128</u>
Total capital assets being depreciated, net	<u>178,765</u>	<u>3,808</u>	<u>-</u>	<u>182,573</u>
Governmental activities capital assets, net	<u>\$ 178,765</u>	<u>\$ 78,999</u>	<u>\$ -</u>	<u>\$ 257,764</u>

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government	\$ 7,753
Public works	1,215
Total	<u>\$ 8,968</u>

Township of Irving
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - JOINT VENTURE:

The Township, together with the Townships of Baltimore, Rutland, Carlton, and Hastings, has established a joint fire department under the provisions of Public Act 33 of 1951 and Public Act 7 of 1967, known as the BIRCH Fire Department (the Department). Membership does not convey an economic interest. The organization agreement provides that the Department's activities are financed as follows:

Each Township shall pay an amount equal to an agreed millage rate, which shall be identical for all townships. Once the millage has been determined, the amount of money representing the millage in each township can be raised by any means available to each township and does not have to be spread upon the tax roll as an assessment.

The Township contributed \$50,997 to the Department during the fiscal year ended March 31, 2006.

NOTE 7 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

Township of Irving
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended March 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Property taxes	\$ 81,592	\$ 81,592	\$ 92,997	\$ 11,405
State grants	138,000	138,000	158,533	20,533
Charges for services	-	-	3,258	3,258
Interest	1,830	1,830	10,189	8,359
Other	-	-	3,769	3,769
Total revenues	<u>221,422</u>	<u>221,422</u>	<u>268,746</u>	<u>47,324</u>
EXPENDITURES				
Legislative	<u>5,385</u>	<u>5,385</u>	<u>5,383</u>	<u>2</u>
General government:				
Supervisor	13,999	17,325	17,320	5
Elections	3,000	4,727	4,727	-
Assessor	29,300	25,974	22,771	3,203
Clerk	14,457	14,082	14,052	30
Board of review	1,380	1,380	1,128	252
Treasurer	15,957	15,957	15,364	593
Hall and grounds	7,000	6,200	3,955	2,245
Cemetery	8,500	9,675	10,974	(1,299)
Other	<u>17,200</u>	<u>26,704</u>	<u>25,024</u>	<u>1,680</u>
Total general government	<u>110,793</u>	<u>122,024</u>	<u>115,315</u>	<u>6,709</u>
Public works:				
Road improvements and maintenance	79,600	79,600	59,846	19,754
Street lighting	<u>1,200</u>	<u>1,200</u>	<u>1,191</u>	<u>9</u>
Total public works	<u>80,800</u>	<u>80,800</u>	<u>61,037</u>	<u>19,763</u>
Capital outlay	<u>-</u>	<u>89,473</u>	<u>90,273</u>	<u>(800)</u>
Total expenditures	<u>196,978</u>	<u>297,682</u>	<u>272,008</u>	<u>25,674</u>
NET CHANGE IN FUND BALANCES	24,444	(76,260)	(3,262)	72,998
FUND BALANCES - BEGINNING	<u>547,591</u>	<u>547,591</u>	<u>547,591</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 572,035</u>	<u>\$ 471,331</u>	<u>\$ 544,329</u>	<u>\$ 72,998</u>

Township of Irving
BUDGETARY COMPARISON SCHEDULE - Fire Fund
Year ended March 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 94,048	\$ 94,048	\$ 99,120	\$ 5,072
Interest	<u>200</u>	<u>200</u>	<u>119</u>	<u>(81)</u>
Total revenues	94,248	94,248	99,239	4,991
EXPENDITURES				
Public safety	<u>92,469</u>	<u>92,905</u>	<u>106,307</u>	<u>(13,402)</u>
NET CHANGE IN FUND BALANCES	1,779	1,343	(7,068)	(8,411)
FUND BALANCES - BEGINNING	<u>51,485</u>	<u>51,485</u>	<u>51,485</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 53,264</u>	<u>\$ 52,828</u>	<u>\$ 44,417</u>	<u>\$ (8,411)</u>